Bus. Dimn. Vol.1 (1), 23-37 (2014)

Corporate Social Responsibility in Multinational Companies in Emerging Economies

SHAHAB KHAN

HR Consultant, QATAR.

ABSTRACT

Modern day corporate social responsibility (CSR) is a global phenomenon and has become an inseparable part of today's organizations. On the back of massive expansion, industrialization, largely into the manufacturing sector, followed and supported by consumerism approach, we have reached a point today, where sustainability is questioned not only the business sustainability but the sustainability of the planet earth itself. There has been an acute and urgent need for a catalyst which could bring much needed balance in the business operations. CSR with its multistakeholder approach brings together the business and society towards a common goal of prosperous business and planet. The stakeholders have been largely ignored results in challenges which every business is facing today, be it exponential increase in operating cost, problems entering new markets, shortage of skilled human resources, overall business continuity is under stress.CSR with its inclusive approach synergies and stabilize the volatility in the business environment by providing a platform to network with the society and other important stakeholders.

OECD in its report on multinational organizations and emerging markets has clearly identified CSR as the way forward towards sustainability. UN global compact have echoed the thoughts and carry the consensus of all the member countries on CSR as a catalyst towards a sustainable planet. India has become the very first nation to have social welfare spending (CSR) as part of company statute by law. The Indian parliament has approved the new companies bill and has made CSR contribution as mandatory.Over 8000 companies would fall under the ambit of mandatory CSR contribution.

Keywords: Corporate Social Responsibility Stakeholder Multinational organizations Environment Sustainability.

INTRODUCTION

Corporate social responsibility(CSR) has grown into an integral part of the global business environment and now is regarded as a business need for sustainable business and environment. The business expansions have gone beyond the regional boundaries result in

growth of Multinational corporations with international footprints. In the fast changing global business governance environment CSR has been identified as a catalyst agent which would bring about a balance towards businesses, commercial and social goals. Due to the exposure to different cultures, socio and economic environments, it is considered the obligation of an MNC to contribute to the well being of the society they operate and accumulate revenues from. In the absence of an international intergovernmental framework providing guidelines on the social aspect of the business, the need was felt for an instrument which has universal approach and contents to enable standardized MNC's social responsibility.

CSR with its intrinsic nature of integrating business with societal developments presented itself as a means to develop a sustainable planet/business. The increased importance of MNC's has brought the CSR issue in the forefront in the discussions of international socio economic organizations like OECD, UNGP, ILO, UNDP, GOI etc. These organizations have adopted instruments and guidelines to optimize CSR influence on the business and societies. Among the instruments we have Tripartite declaration of principles concerning MNE and social policy (MNE declaration) OECD guidelines for MNE,UNGP 10 principles for MNE and the most recent by the GOI making CSR mandatory for companies of certain size(GOI guidelines).

The CSR that we see today found its place after the Rio conference on Environment and sustainable development of 1992,when UN invited MNE to assume a commitment towards society and the environment by integrating their commercial goals with that of basic human rights ,workers rights and environment. The present day CSR reflects sustainable development as defined by world commission on environment and development. (Brundtland commission) in 1987;"…… development that meets the needs of the present with out compromising the ability of the future generations to meet their own needs.

Concept and Definitions of Corporate Social Responsibility in Global Perspective

Organizations of the 21st century can no longer limit themselves to producing and marketing products or services without any concerns for the impact they have on society. If they want to be trusted by their customers, employees and the public at large, they have to be more socially responsible. As corporations pursue growth through globalization, they have encountered new challenges that impose limits to their growth and potential profits. Government regulations, tariffs, environmental restrictions and varying standards of what constitutes labour exploitation are problems that can cost organizations millions of dollars. Some view ethical issues as simply a costly hindrance. Some companies use CSR methodologies as a strategic tactic to gain public support for their presence in global markets, helping them sustain a competitive advantage by using their social contributions to provide a subconscious level of advertising [7, 94-106].Global competition places particular pressure on multinational corporations to examine not only their own labour practices, but also those of their entire supply chain, from a CSR perspective.

Corporate Social Responsibility (CSR) is becoming an increasingly important activity to businesses. It has become a public relation tool of global corporations to convince consumers it is OK to keep buying. As globalisation accelerates, large corporations have progressively recognised the benefits of providing CSR programs in their various locations. CSR activities are now being undertaken throughout the globe. Everyone judges companies. Whether you invest in them,

buy from them, work for them, or just live near them, it is difficult not to form an opinion. The most visceral of all judgments pertain to the firm's moral actions. Had a company placed greater emphasis on its treatment of employees, it would have likely seen larger gains in its CSR ratings. The movement towards SCR has not been without criticism. Many people have criticized companies for using CSR as a gimmick to attract employees or media attention. Some companies have been criticised for claiming to be committed to sustainable development whilst simultaneously engaging in harmful business practices. Also, corporations have been criticised for damaging the environment and using child labor. This means that corporations have to deal with many ethical issues.

Today more and more of the global corporations issue corporate responsibility reports, and the public expects visible CSR initiatives from businesses of all sizes. Many companies use CSR as a way to burnish their image, generate brand equity, increase employee loyalty, promote wide-ranging policies, and labor rights. But is CSR really a win situation - as its promoters claim - for both corporations and the public? Despite this apparent diversity of definitions, some authors have identified underlying themes which they suggest may define the concept. They suggest that CSR may be viewed as an effort to integrate economic considerations with environmental and social needs, as well as corporate efforts to balance the interests of diverse stakeholders. As such, it may be viewed as a diverse set of practices which include "stakeholder engagement, company-wide commitments and strategies, measurable targets for improvement, training, CSR management practices, and public reporting"

LITERATURE REVIEW

A wide gap exist between those who see corporations as existing purely for profit motive (Friedman, 1970) and those that advocate for a convergence of social and economic motives for corporations (Schrader, 1987, Weaver, 1998, Utting and Ives, 2006). Annan (2001) argues "there is a happy convergence between what shareholders want and what is best for millions of people the world over". However, there is no consensus to this debate. However, communities, civil societies, and Non-Governmental Organizations (NGOs) feel otherwise. These groups countered that MNCs has a responsibility to give something back to the communities in which they operate as a form of social responsibility. Such impasses reveals the existence of major gaps in the provision of basic services such as infrastructure, salvaging people from pandemic poverty, etc, that always leave the communities at the receiving end with untold environmental discomforts, that precipitates restiveness (Gulbrandsen and Moe, 2007).

In the present era of globalization where corporations seems to be taller and richer than national governments, environmental laws are totally inadequate to contain them. Business ethics provides another avenue for decision-making/regulation. Business ethics requires corporate managers to be guided by sound moral standards.5 Business ethicists consult traditional algorithm to reflect upon international ethical dilemmas that raise grave concern for conducting international businesses. Donaldson (1989) is one of the foremost scholars that pioneered the use of morality to guide corporate managers in decision-making. He wrote his most useful and most consulted algorithm that considered a set of moral minimums for multinationals. Donaldsons algorithm "inform corporations of the minimum they cannot go below when they are faced with an ethical decision involving conflicts of relative economic development" (Giampetro-Meyer, 2009). Donaldsons moral minimums for multinationals provided for the

following algorithm: the practice is permissible if and only if the members of the home country would, under conditions of economic development similar to those of the host country, regard the practice as permissible. Is the practice a violation of core human value (respect for human dignity, respect for basic rights, or good citizenship)?

Corporate Social Responsibility in Indian Context

Asian firms often lag behind their Western counterparts on CSR practices (KPMG, 2005). However, advent of liberalization and globalization, entry of MNCs in Asian markets, rising consumer expectations towards business, and emergence of pressure groups have made the case of CSR stronger in Asian countries including India. But Indian companies mostly focus their CSR activities on community development (PiC, 2004). Philanthropic orientation of Indian businessmen has its roots in history. In the early nineteenth century India, CSR was mainly found in the form of philanthropic contributions by Guajarati and Parsi merchant communities, who provided funds for building schools, pilgrim rest houses, places of worship like temples, distributing relief items during disasters, and helping the poor. A 20-country public opinion survey finds that India is the last in the level of CSR demanded from companies in any country (Environics International, 2001). A lack of provable link between CSR and firm performance often discourages companies from engaging in CSR (British Council *et al*., 2002). Obstacles to CSR are found to be ad hoc approach by the top management towards CSR, lack of consensus on priorities within the firm, and problems related to measurement and evaluation of CSR activities (Krishna, 1992). Unclear policies, bureaucracy, poor monitoring, complicated tax systems, and poor infrastructure are a few more hindering factors (CSM, 2001). However, there is a growing feeling among the Indians that business organizations must play a wider role in the society besides providing quality products at reasonable rates, making their operations environmentally sound, adhering to high labor standards, and reducing human rights abuses at the work place (Kumar *et al*., 2001). Consequently, Indian companies have started changing their outlook towards CSR by looking beyond passive philanthropy. Companies are considering CSR for improved brand image and stronger ties with the local community (British Council *et al*., 2002; PiC, 2004).

CSR in Emerging Markets Companies

Emerging markets definition: In this paper all countries classified by the World Bank as Low or Middle Income countries are regarded as emerging market economies. These are countries with a 2003 Gross National Income (GNI) per capita of less than$9386. The paper pays particular attention to the countries which have corporations included in global market indices, and are thus most likely to attract global equity investment. Emerging market countries whose companies are included either on the FTSE All-World index or the Dow Jones Global 2500 (or both) are: Argentina, Chile, Colombia, Egypt, India, Malaysia, Mexico, Peru, Poland, South Africa, Turkey, Brazil, China, Czech Republic, Hungary, Indonesia, Morocco, Pakistan, Philippines, Russia, Thailand and Venezuela.Emerging market companies make up 3.8 per cent of the FT500, the 500 largest global traded companies1 and 4.6 per cent of the Dow Jones Global Index of 2,500 companies. OECD statistics show that, while the bulk of international investment flows originate in the OECD, non-OECD countries are increasingly important sources of investment flows. This paper presents a fact finding study of the corporate responsibility policies and practices of emerging market companies.

RESEARCH METHODOLOGY

This paper is based on OECD fact finding study for emerging markets companies and organized as follows:

Section one looks at four generic indicators of participation in corporate responsibility initiatives:

1) responses to the Carbon Disclosure Project
2) inclusion in the Dow Jones Sustainability Index
3) use of Global Reporting Initiatives(GRI) reporting standards
4) certification to ISO14001.

These indicators are used to get a statistical picture of corporate engagement on various corporate responsibility issues. Four regions are looked at – Central & Eastern Europe, Africa and the Middle East, Latin America, and Asia.

- Section two looks at what published statistical and survey data say about the levels and nature of engagement of emerging market companies in corporate responsibility initiatives. Studies are presented on Africa and Asia, the two regions where extensive statistical research on the relevant practices of businesses in non-adhering countries has been conducted.
- Section three presents original data on the corporate responsibility practices of 127 leading companies in 21 emerging markets. Each company's corporate website and annual report were examined using a number of indicators including corporate social investment, anti-corruptionpolicies and systems, environmental policies and systems, equal opportunities, women on corporate boards, training, and health and safety.

Emerging Market Companies Participation in CR initiatives – Four Basic Indicators

This section uses publicly-available indicators on company involvement in four widely-recognised global corporate responsibility initiatives in order to provide globally comparable statistics on engagement by companies from emerging markets. The indicators provide a useful, but only partial, picture of corporate engagement on corporate responsibility issues4. The four indicators discussed in this section are:

- membership in the Dow Jones Sustainability Index (DJSI);
- registration with the Global Reporting Initiative (GRI);
- responses to the Carbon Disclosure Project (CDP);
- ISO 14001 certifications.

The first indicator, the DJSI, regularly analyses each of the approximately 2,500 companies on the Dow Jones World Index. Using general and industry-specific criteria, the DSJI approach identifies – from among these 2,500 "eligible" companies -- what it calls "best in class" for "corporate sustainability" (defined as "a business approach to creating long-term shareholder value. Sustainability leaders embrace opportunities and manage risks which derive from economic, environmental and social developments5.") The roughly 10 per cent of companies assessed as most "sustainable" are included on the DJSI. While 4.6 per cent of the eligible companies are from emerging markets, a small but still significant 2.8 per cent of the 318 companies which make it onto the DJSI come from emerging markets. Put another way, and 309 (or 12.9 per cent) of the companies listed in high income countries make it onto the DJSI, compared to 7.8 per cent of emerging market companies. This suggests a smaller gap than might be expected between emerging market and developed market companies. Not only do some emerging market companies take an active interest in corporate responsibility, but a number (especially in South Africa and Brazil) are among the global leaders.

A second indicator – Global Reporting Initiatives registrations -- tells a similar story. The GRI asks reporting organizations (mainly companies) to register with it when they use GRI indicators in their reporting. While compliance is not audited and while some companies prefer to use reporting frameworks that are tailored to their individual situations, GRI registrations provide a rough indicator of company involvement in "sustainability" reporting. Of the 614 companies registered with GRI in February 2005, 12.4 per cent are based in emerging markets,many of the companies in this 12.4 per cent are subsidiaries or are otherwise closely associated with OECD companies. For example, 18 of the emerging market companies are subsidiaries of a single, major consumer goods company and are probably reporting because of insistence at Group headquarters level. Nevertheless this still leaves 7.2 per cent of GRI companies based in emerging markets.

A third indicator can be developed from participation rates in the Carbon Disclosure Project's survey of companies (the CDP is an initiative of a consortium of major global investors). The survey asks FT500 companies to indicate how they are dealing with climate change and greenhouse gas emissions. Its most recent completed survey saw 59 per cent of companies respond with information. Emerging market companies participated in the survey, although at a lower rate than higher income companies, the figures being reduced sharply by the non-participation of a number of Saudi companies and the Russian oil majors. A fourth indicator is certifications for ISO 14001, the global standard for environmental management systems. The past five years have seen a significant increase in the uptake of ISO 14001 certifications. Certifications in high-income OECD countries have increased more than fourfold over this period, whilst in emerging markets there has been a seven-fold increase.

III. Corporate Responsibility Trends in Africa and non-OECD Asia – Findings of Published Studies

This section reviews facts and trends regarding uptake of corporate responsibility initiatives by emerging markets companies based on the findings of non-OECD published studies. It looks at Africa and at non-OECD Asia, two regions for which statistical studies of business practices in the corporate responsibility field are available.

Africa

Published studies of sub-Saharan African private initiatives for corporate responsibility present a variable picture. On one hand, such initiatives are more advanced in South Africa than in any other emerging market -- these statistics indicate, in many areas, South African business are leaders. On the other hand, in the remainder of Africa, interest in such initiatives is not common, except among subsidiaries of major multinationals.

The Johannesburg Stock Exchange (JSE) launched an SRI index in May 2004. All listed companies are invited to participate and those that choose to do so are assessed against the criteria. Criteria cover environmental, social and economic issues as well as corporate governance. Currently the FTSE/JSE SRI index covers 51 companies, or about one-third of companies listed on the JSE.

South Africa's corporate governance code – known as King II – calls for the inclusion of annual reporting on sustainability. While it specifies in some detail the types of issues to be covered, it does not specify particular sustainability outcomes. Compliance with King II is a listing requirement for the JSE. The code includes specific issues of major concern within South Africa such as employment equity, HIV/AIDS, and black economic empowerment. The global business

consultancy KPMG has conducted eight studies to date on the extent of CR reporting in South Africa. Their most recent study, published in December 2004, looks at the extent of sustainability reporting in all 154 independent companies listed on the Johannesburg Stock Exchange (JSE). In particular it focuses on compliance with the King II corporate governance code. some of the results suggests that South African companies are global leaders on CR reporting regarding social issues, but tend to be less advanced in relation to environmental matters. For example, two-thirds of companies report on how they are dealing with AIDS among their employees. Almost 70 per cent of companies reported having a whistle-blowing 'hotline' for corruption-related issues.

Asia

Among Asia countries, India and Malaysia appear to be most active in the field of corporate responsibility. India has a number of companies with long traditions of philanthropic and community programmes. A paper by Das Gupta and Das Gupta argues that corporate philanthropy in India is shifting towards Corporate Social Investment (which is a more strategic approach to philanthropy involving the building of stronger relationships with stakeholders). A number of leading companies are also actively managing their environmental impacts and this is evidenced by some major Indian companies producing detailed sustainability reports and exercising leadership within the broader Indian business community. The Confederation of Indian Industry has adopted Social Principles and embraced the CSR concept.

A 2001 survey by the Centre for Social Markets (CSM) asked (mainly large) Indian companies to list the main factors driving changed attitudes to social and environmental responsibility. The results with a combination of awareness, regulatory changes and a changing global/ competitive environment mentioned most frequently. The emergence of corporate responsibility in Malaysia has been closely linked to that country's development plan -- Vision 2020 -- and to the government's policy of enhancing standards of corporate governance and business ethics.

At a conference on CSR held in Malaysia in June 2004, the Deputy Prime Minister argued that CSR practices should not be mistaken for acts of philanthropy or charity. He argued that: CSR helps improve financial performance, enhance brand image and increases the ability to attract and retain the best workforce – contributing to the market value of the company by up to 30 per cent. All of these translate into better client and customer satisfaction, improved customer loyalty and ultimately into lower cost of capital as a result of better Risk Management. Finally from a national standpoint, a good reputation for CSR will help Malaysian companies compete in world markets by resolving the potential concerns end users may have in developed markets. *(Conference Report of CSR - Creating Greater Competitive Advantage)*

A September 2004 survey by the Malaysian Chapter of the Association of Chartered Certified Accountants (ACCA) looked at all the listed companies on the Bursa Malaysia. It found an increase, compared to a previous survey, in the number of companies reporting on social and environmental performance. Sixty companies (10 per cent) provided environmental information, and 49 companies (8 per cent) reported on social performance. As Figure 6 from the ACCA report illustrates, the major drivers for this increased reporting were (in addition to growing awareness), 'business case' issues such as reputation/brand enhancement, promoting shareholder value, reducing risk and complying with legislation/regulation in Malaysia (and

abroad Two cross-country initiatives in Asia, both based in Hong Kong, deserve mention. The Asian Socially Responsible Investment Association (ASRIA) has been active in researching the investment climate and promoting increased take-up of corporate responsibility across the continent (www.asria.org). More recently, CSR-Asia has started publishing regular, detailed information on corporate responsibility developments, especially in China (www.csr-asia.com).

IV. Corporate Responsibility Practices of Companies Based in Emerging Markets

Using original data12, this section reviews the corporate responsibility practices of 127 publicly-listed companies in 21 emerging markets. Wherever possible the findings are compared to existing data on 1,740 listed companies in a range of high-income OECD countries. The 127 companies analysed comprised 22 per cent of the emerging market companies on FTSE's All-World index. The companies were selected so that sample would consist of the largest companies on their respective stock exchanges and so that the emerging market sample would have wide geographical coverage. The number of companies analysed, and whether they are categorised as large or medium-sized, Even those companies classified as 'medium' are substantial in size – to give an indication, half of the companies in the FTSE100 are classified as medium capitalisation, and 12 of the French CAC40. Figure 7 shows that the overwhelming number of emerging market companies analysed come from four sectors – Financials, Resources, Basic Industries and Telecommunications.

Reporting Publicly on Corporate Responsibility

The research showed that over two-thirds of emerging market companies either produce a sustainability report or have a specific section on their website or in their annual report covering corporate responsibility. Whilst precisely comparable data for high-income OECD countries is not available, this is a high figure and suggests that emerging market companies do not see corporate responsibility as the preserve of the developed economies. Some countries' companies report to a greater extent than others -- all but one of the 16 South African companies analysed had a specific corporate responsibility website. Even at the lower end, 56 per cent of Central and Eastern European companies analysed did so too, in short a clear majority of companies in all Regions.

Corporate Social Investment (CSI)

Corporate social investment is the term often used to describe a company's investment in a range of community activities. It includes, but goes beyond, the concept of corporate philanthropy. The statistics presented in this section rely on the following definitions of 'partial'' and 'extensive' social investment:

- Partial – some evidence of donations to charitable causes or a community project.
- Extensive – evidence of involvement in a wide range of projects involving significant sums of money emerging market companies are almost as likely as high-income OECD countries to report on their corporate social investment and they are more likely to have extensive CSI programmes in place.
- 72.8 per cent of OECD companies reported CSI activities, compared to 68.5 per cent of emerging market companies
- 36.4 per cent of OECD companies reported CSI activities which can be regarded as 'extensive' compared to 50.4 per cent for emerging market companies.
- Africa and Latin America were the leading regions, followed by Europe.

Anti-corruption, Conflict of Interest and Business Integrity

This section looks at the sample companies' policy statements in relation to the fight against corruption and promotion of business integrity. It classifies codes of ethics in this area as follows:

- Partial – a statement that a code of ethics exists, or a published code of ethics but one with minimal details or minimal coverage: such as a generic commitment to comply with laws and regulations, or a code with only partial applicability (for example applying only to board members but not to employees), or a code with only two or three substantial provisions.
- Extensive – a published code of ethics, applicable to all employees and containing a range of provisions: on issues such as bribery, facilitation payments, gifts, conflicts of interest About one quarter (25.2 per cent) of the emerging market companies analysed have an extensive policies in place. However there are significant regional differences. Latin American and African (mainly South African) companies have relatively high propensities to develop ethics codes in this field, while Asian emerging market companies, in general, showed lower propensities to issue such statements. An effective anti-corruption policy needs appropriate management systems to ensure compliance. The statistics reported here classify anti-corruption management systems as follows:
- Partial – company reports on its ethics management and claims that one or more of the following exist: employee training, 'whistle-blowing' procedures/hotlines, compliance monitoring, or regular review of the code.
- Extensive – company reports on its ethics management and claims, that at least three of the following exist, and providing credible supporting material or examples: employee training, 'whistle-blowing' procedures/ hotlines, compliance monitoring, or regular review of the code. the companies in the sample are less likely to make public statements about their management systems than they are to publish their anti-corruption policies.
- Thirty-nine per cent of the emerging market companies could be regarded as having extensive management systems.
- When taking into account companies' reporting anything about their anti-corruption management practices, 79 per cent of OECD companies are found to have reported something, whilst only 34 per cent of emerging market companies could do so.

The most advanced emerging market business sample in this area is that of South Africa, where the local corporate governance code (King II) requires the inclusion of policies and compliance systems in this area. All 16 of the companies analysed here had a code of ethics (and half of these could be described as extensive), and all but one had some form of management system in place to ensure compliance and 31.3 per cent of these could be regarded as extensive.

When focussing on a number of sectors most vulnerable to corruption allegations or business ethics difficulties, the research showed policies and systems of substance in:

- only two of the 12 emerging market Oil & Gas sector companies
- only one of the six construction sector companies
- only seven of the 22 banks.

Environment

This section looks at corporate environmental policies and management systems based on methodologies that are linked

to the EIRIS and FTSE4Good methodologies. These include:

- Environmental policy - The statistics keep track of a range of indicators: reference to key environmental issues facing the sector; allocated responsibility for the policy; commitment to using targets; to monitoring/audit; and to public reporting. Other indicators are: association with globally applicable standards (such as UNEP); commitment to involving stakeholders; addressing product or service impact; and to strategic moves towards sustainability.
- Environmental management systems (EMS)– The statistics keep track of: ISO certification or a meaningful equivalent covering: having a policy; impact identification; setting targets in all key areas; documented structures and procedures; auditing; internal reporting and review. The proportion of the company covered by the system affects its rating. The majority of emerging market companies in the sample publish details of their environmental policies (52 per cent) and environmental management systems (53.5 per cent). This is not substantially lower than the average for high-income OECD countries of about 59 per cent. Whilst leading Brazilian, Indian and South African companies have high levels of publication by global standards, Chinese and Malaysian firms appear to pay less attention to this issue. This contrasts with the picture for Japan, where past research shows leading companies generally paying great attention to environmental management systems (see OECD 2001) ***majority of high impact emerging market companies do not have substantial policies and systems in place a***nd that the same can be said for their developed country counterparts in OECD and North America.
- Data on the companies in the sample that are from larger countries and that operate in high environmental impact sectors. Companies from India, Brazil and South Africa appear to be quite active in the environmental field. Only one of the 16 high impact Chinese companies in the sample had both a substantial environmental policy and a substantial EMS.

Non-discrimination / Equal opportunity

This section looks at the samples companies' published non-discrimination policies and management systems based on the following definitions:

- Policies: a partial policy is on which refers in general terms to equal opportunity, or which refers to non- discrimination on the grounds of gender and race; an extensive policy is more detailed regarding equal opportunities, such as one going beyond race and gender and including aspects such as disability or age referred to in ILO standards, or a policy which explicitly covers company's global operations
- Non-discrimination management systems: An extensive system includes more than one of the following: publishing some information on workforce composition (by gender or race etc); indicating that over 10 per cent of managers are women, or a significant percentage from ethnic minorities; publishing details of flexible or family-friendly working arrangements, such as childcare, flexitime, or family benefits beyond statutory requirements; a senior person or section within the company responsible for equal opportunities. A "partial" system includes any one of the first three elements listed above.

The special case of South African companies and their high weight in the African sample influences the data for Africa in South

African legislation requires companies to take active steps to improve the representation of black people (and to some extent women too) in management, as well as in share ownership, and in the procurement process. This approach also forms part of the South Africa's corporate governance code. Thus, the high propensities in the African sample to deal with this issue in both policies and management practices appears to reflect pressures coming from legislation and securities market arrangements. Apart from South Africa, emerging market companies show relatively low awareness of equal opportunity issues.

- 40 per cent of Latin American, 37.5 per cent of CEE and 18.7 per cent of Asian emerging market companies analysed have an equal opportunities policy – but mostly only a 'partial' one.
- The same number of CEE companies (37.5 per cent), but a far lower percentage of Asian emerging market (6.8 per cent) and Latin American (13.3 per cent) companies show evidence of monitoring their employment demographics, as a proxy for the extent to which they have systems in place. In the main this involves publishing a breakdown of male and female employees.

Women on Company boards

Information on the percentage of women sitting on company boards, whether in executive or nonexecutive positions, may shed light on gender discrimination. Studies of developed markets indicate that Scandinavian countries, as well as the United States, have the highest percentages of women on the board – over 21 per cent in the case of Norway. At the other extreme are the Mediterranean countries of Portugal (0.8 per cent), Italy (2.6 per cent) and Spain (3.8 per cent) and Japan boards having only 0.4 per cent women. (EIRIS, 2004)

The data from the emerging market companies show Latin American companies at similar levels to their Mediterranean counterparts. It also shows low levels of women's participation in the governance of companies in Asian emerging markets. Of the companies analysed, women comprise:

- 10.5 per cent of board members in Africa;
- 5.1 per cent in Central and Eastern Europe;
- 4.4 per cent in Asian emerging markets;
- 1.9 per cent in Latin America.

Training

There is no clear distinction between emerging market and high income OECD companies regarding policies and practices in relation to employee training. Over 70 per cent of companies from Latin America, Africa and Western Europe publish at least some information on employee training, with CEE not far behind (at 62.5 per cent).

This section presents statistics on occupational health and safety reporting practices based on the following definitions:

- 'Partial' – means at least one of the following is publicly reported by the company;
  - senior responsibility assigned for OHS
  - one or more significant H&S awards
  - details of H&S training
  - key OHS indicators (such as accident rates)
- 'More extensive' means two or more of these are publicly reported.

The lowest propensities to report publicly on health and safety are found in the samples for high income North America and for the Asian emerging markets and the highest - over 70 per cent of companies -- in both western Europe and Africa.

Some sectors are more exposed than others in relation health and safety. Of the emerging market companies assessed, 37 (or 29.2 per cent) are in the following sectors –

Construction, Forestry and Paper, Mining, Oil & Gas, and Steel & Other metals. Of these higher-risk companies, 13.5 per cent provide 'partial' information, and almost two-thirds (62.2 per cent) publicly report at the 'more extensive' level.

One-quarter of the high exposure companies (24.3 per cent) do not mention the issue at all on their websites or in their annual reports. Six out of 7 Chinese companies in higher-risk sectors make no mention of health and safety. However, the overall record of emerging market companies in respect of reporting on OHS is stronger than that of high-income OECD companies in the same sectors.

SUGGESTIONS

The OECD views the primary contribution of business – its core responsibility – as the conduct of business itself. The role of business in society is to develop investments so as to yield competitive returns to the suppliers of capital. In so doing, companies create jobs and produce goods and services that consumers want to buy. However, corporate responsibility goes beyond this core function. Companies are expected to obey the various laws that are apply to them and, as a practical matter, must respond to societal expectations that are not written down in law books.

CONCLUSIONS

The evidence presented in this paper suggests that, overall, there is not a vast difference in approaches to corporate responsibility between companies in high-income OECD countries and their emerging market peers. Indeed the level of comparability is surprisingly high. Certain emerging market business sectors show substantial engagement in this area, while others show little or no engagement. There is significant diversity in the policies and practices of the emerging country business sample, just as there is high diversity within the OECD sample.

A number of findings stand out:

- *Global phenomenon*. Corporate social responsibility initiatives are common among emerging market companies – the studies cited and the original data presented in this paper both show that these companies have participated in the broader trend in international business towards more formal management in a wide range of corporate responsibility fields. Overall, the report confirms that such initiatives are a global phenomenon that is very much present in emerging market companies. But within this broad international business trend, there are striking differences between countries, even within the same region.

Important regional and sectoral variations. In a result that mirrors earlier findings on OECD companies3, the study points to significant inter- and intra-regional variations in practice. In most emerging markets there appears to be a substantial gap between companies that are doing a great deal and those that are doing little or nothing. Businesses in some emerging markets are leaders in this area, while others appear to have no involvement. These divergences – both in emerging markets and in the OECD -- presumably reflect the influence of a variety of factors (e.g. variations in business circumstances relating to sectoral and geographical factors).

- *Leadership.* A study of 127 listed companies from emerging markets suggests that some are leaders in the corporate responsibility field. South African companies, in particular, stand out. The sample of listed companies in South Africa shows higher uptake in many areas than comparable samples from many OECD countries.

- *Reasons for uptake*. The review of studies looking at "drivers" of corporate responsibility initiative points to diverse reasons for undertaking such initiatives.

− *Home grown phenomenon*. In some countries, these initiatives appear to be very much a "home grown" phenomenon. (For example, South Africa's corporate governance code calls for corporate policies, systems and reporting in a wide range of corporate responsibility fields; it has provided a framework for significant engagement by listed South African companies.)

− *Business case*. Surveys suggest that the "business case" for corporate responsibility is the same in emerging markets as it is among OECD companies – studies of Malaysian and Indian companies show that they adopt such measures in order to attract and retain employees, to improve product market positioning and to protect reputation capital. Surveys also indicate that companies based in non-adhering companies (like their OECD counterparts) adopt these initiatives in response to more demanding regulation and to other government pressures.

− *OECD business partners*. In some countries, subsidiaries of OECD companies constitute the bulk of companies active in this area. In others, supply chain considerations and the desire of host country governments and business sectors to position themselves with respect to the expectations of global markets appear to be dominant considerations.

- *Growing uptake*. The statistical evidence from the review of trends in CR indicators and from some of the published reports shows growth in emerging market companies' adoption of these initiatives.

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